

18 December 1954

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DEVELOPING POLITICAL CRISIS IN GREECE

BACKGROUND

- I. Greece, traditional friend and supporter of the United States, has recently been the scene of anti-American riots precipitated by the adverse UN resolution of the Cyprus issue. Resentment against the United States seems at a peak and public morale at its lowest point since Papagos' government assumed office in 1952. His pro-American government, which Greeks closely identify with US policies, is seriously threatened.
- II. The Cyprus issue, the principal concern of Greeks for several months, has added an emotion-charged element to the factors which have been progressively undermining the stability of Greek politics. The government's failure to achieve a Cyprus solution acceptable to Greeks and Cypriots will now be added to its list of political and economic blunders and shortcomings and strengthen the forces drawing Greece back into its characteristic condition of political instability with splinter party coalition governments.
- III. A series of recent developments had already badly shaken the Papagos regime:

4. On 10 November Papagos used one of former Minister of Co-ordination Spyros Markezinis' official acts to provoke a public rupture between himself and the Markezinis wing of the Greek Rally. Three of Markezinis' followers in the cabinet, including the new ministers of co-ordination and of finance, resigned from the government and Rally in

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protest. Almost immediately, 23 parliamentary deputies withdrew from the Rally and established an independent opposition. The Rally, however, retained about 211 of 300 seats.

- B. The municipal elections of 21 and 28 November resulted in a sharp Rally defeat, with the opposition Popular Front, supported by the Communist-influenced United Democratic Left (EDA), winning control of six of the seven largest Greek cities, including Athens. The architects of the Popular Front were sufficiently encouraged to plan for its retention in national elections, which they demanded although elections are not mandatory until 1956.
- C. Return to Greece of Sophocles Venizelos, former chief and now honorary president of Liberal Party, largest of non-Communist opposition, set in motion new efforts toward unification of opposition not including EDA. Venizelos is probably the only Greek politician with sufficient prestige to form a coalition group strong enough to challenge the faction-ridden Rally. He is reported to be satisfied with results of his political negotiations to date.
- D. King Paul, and especially Queen Frederika, are reported to be actively encouraging Venizelos' efforts and have received a steady stream of Greek politicians in recent weeks.

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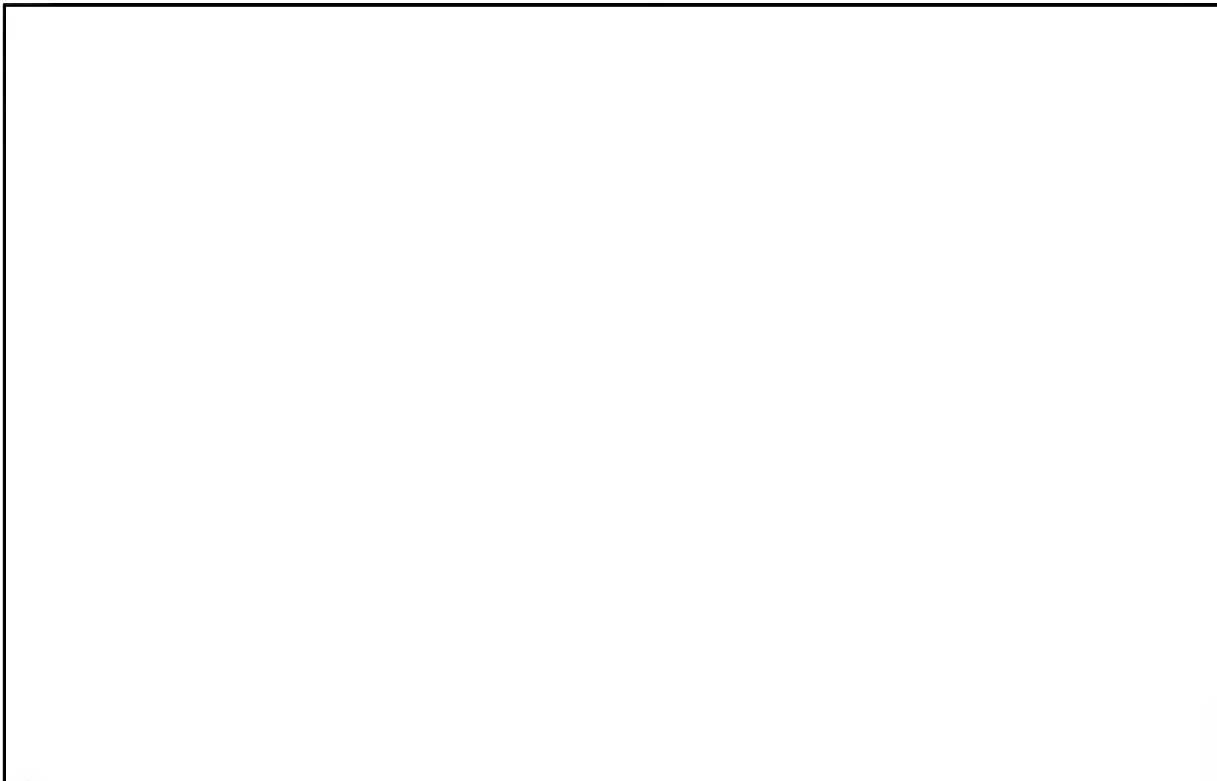
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[REDACTED] The palace
has its own candidate to succeed Papagos, but it has
always maintained good relations with Venizelos and would
probably be glad to see him succeed.

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E.



- F. Last summer the Rally lost the support of several influential personages, including the publisher of the Athenian daily Vima and two of Papagos' closest confidants. These men possess material which, if published, would be very embarrassing to the prime minister and his lieutenants. They are not likely to work openly, however, because their own reputations are vulnerable.
- G. In ~~its~~ attempts to gain complete control over the labor movement, the Rally alienated large urban voting groups and so contributed to opposition successes in the municipal elections. The government was unable to counter the growth

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of the popular belief that it was operating to the advantage of "big business."

- IV. Although disintegration of the Rally government would not affect basic Greek pro-Western orientation, a successor regime would probably be less responsive to American suggestions.
- V. Almost two years of relative political stability have provided the opportunity for important economic reforms and leave the Greece economy probably in reasonably good shape. The reforms pushed through by Markezinis--devaluation of currency, liberalization of trade, etc.--and the effective US economic assistance have contributed much to Greek economic well-being. The poverty of the country, however, renders Greek economic problems virtually insoluble in the short-run, and the dissatisfaction in some sectors which reforms have caused is deepened by disappointment that even greater results could not be achieved.
- VI. Politically, the Rally has been endeavoring to apply the principle of polarization of Greek politics and has tried to crush the Center parties between the Rally on the right and the Communists on the extreme left. While the Rally has been firmly and effectively anti-Communists, this process of polarization might ultimately have benefited the Communists most. However, no increase in Communist numbers was evident in the recent local elections and the Communists are likely to lose rather than gain as a result of the Center and non-Communist left's resurgence.